

Torfaen Local Health Board

FOREWORD

These accounts have been prepared by the Local Health Board under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

Statutory background

The Local Health Board was one of 22 which came into existence on 1st April 2003. As a statutory body governed by Acts of Parliament the LHB is responsible for :

- agreeing the action which is necessary to improve the health and health care of the population of [Torfaen](#).
- supporting and financing General Practitioner-led purchasing of the services needed to meet agreed priorities, including charter standards and guarantees;
- supporting and funding the contractor professions;
- the commissioning of health promotion, emergency planning and other regulatory tasks;
- the stewardship of resources including the financial management and monitoring of performance in critical areas;
- eliciting and responding to the views of local people and organisations and changing and developing services at a pace and in ways that they will accept.

Performance Management and Financial Results

Local Health Boards in Wales must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result the Primary Statement of in-year income and expenditure is the Operating Cost Statement, which shows the net operating cost incurred by the LHB which is funded by the Assembly. This funding is allocated on receipt directly to the General Fund in the Balance Sheet.

The statutory duty for Local Health Boards is enacted in the 2002 NHS Reform and Health Care Professionals Act. Net Operating Costs incurred by Local Health Boards should not exceed their allocated Resource Limit.

The primary performance measure for Local Health Boards is note 2.1 Achievement of Operational Financial Balance on page 16. This note compares net operating costs expended against Resource Limits allocated by the Assembly and measures whether operational financial balance has been achieved in year.

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	Total £000	2007-08 Total £000
Expenditure	4.1,4.2,4.3, 4.4	150,611	141,812
Miscellaneous income	3.1	2,982	2,102
Net operating costs		147,629	139,710

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009**

	£000	£000
Unrealised surplus on revaluation / indexations of fixed assets	0	0
Net increases / reductions in General Fund due to transfers of assets	0	0
Fixed asset impairment losses	0	0
Recognised gain / (loss) for the year	0	0

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£000	31 March 2008 £000
TOTAL FIXED ASSETS			
Intangible fixed assets	5.1	0	0
Tangible fixed assets	5.2	0	0
CURRENT ASSETS			
Debtors	6.1	3,605	2,178
Cash at bank and in hand		54	629
Total Current Assets		3,659	2,807
Creditors: amounts falling due within one year	6.2	9,325	10,909
Net current assets / (liabilities)		(5,666)	(8,102)
Creditors: amounts falling due after more than one year	6.3	0	0
Provisions for liabilities and charges	6.4	255	455
TOTAL NET ASSETS		(5,921)	(8,557)
FINANCED BY:			
General fund	6.5	(5,921)	(8,557)
Donated Assets Reserve	6.6	0	0
Revaluation Reserve	6.7	0	0
TOTAL		(5,921)	(8,557)

Signed for and on behalf of the Board

Director of Finance Chief Executive

Date Date.....

Adopted by the Board on.....

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	£000	2007-08 £000
Net operating costs	(147,629)	(139,710)
Adjust for non-cash transactions	(327)	139
Adjust for movements in working capital other than cash	(3,011)	1,573
Utilisation of provisions	(91)	(93)
	<hr/>	<hr/>
Net cash outflow from operating activities	(151,058)	(138,091)
	<hr/>	<hr/>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:		
Payments to acquire fixed assets	0	0
Receipts from the sale of fixed assets	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from investing activities	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) before financing	(151,058)	(138,091)
	<hr/>	<hr/>
FINANCING:		
Net Assembly funding (including capital)	150,483	137,229
Surrender of income from sale of fixed assets	0	0
Donations	0	0
Capital element of finance lease rental payments	0	0
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	150,483	137,229
	<hr/>	<hr/>
Increase / (decrease) in cash	(575)	(862)

Notes to the cash flow statement

Adjust for non-cash transactions

	£000	2007-08 £000
Depreciation and other write-offs	0	0
Impairment of fixed assets	0	0
(Profit) / Loss on disposal of fixed assets	0	0
Non-cash provisions	(109)	394
Capital charge interest	(218)	(255)
	<u>(327)</u>	<u>139</u>

Adjust for movements in working capital other than cash

	£000	2007-08 £000
(Increase)/decrease in debtors	(1,427)	(1,252)
Increase/(decrease) in creditors	(1,584)	2,825
	<u>(3,011)</u>	<u>1,573</u>

Reconciliation of net cash flow to movement in net debt

	£000
Increase/(decrease) in cash in the period	(575)
Cash outflow from debt repaid and finance lease capital payments	0
Change in net debt resulting from cash flows	<u>(575)</u>
Non cash changes in debt	0
Net debt at 1 April 2008	629
Net debt at 31 March 2009	<u>54</u>

Analysis of changes in net debt

	As at 1 April 2008	Cash flows	Other changes	As at 31 March 2009
	£000	£000	£000	£000
Cash at bank and in hand	629	(575)	0	54
Bank overdraft	0	0	0	0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Total	<u>629</u>	<u>(575)</u>	<u>0</u>	<u>54</u>

Amount held in Office of Paymaster General bank accounts as at 31 March 2009 was £87k.

Analysis of capital expenditure, financial investments and associated receipts

	Capital		Loans		Net Total
	Additions	Disposals	Issues	Repayments	
	£'000	£'000	£'000	£'000	£'000
Total cash payment and receipts	0	0	0	0	0

Reconciliation of loan issues and repayments to cash movements

	Issues	2008-09 Repayments	Net Movement
	£'000	£'000	£'000
Total issues and repayments (per creditors note 6.3)	0	0	0
Accrued movement in loan capital	0	0	0
Non-cash adjustments	0	0	0
Total financial investment and associated receipts	0	0	0

Reconciliation of fixed assets and disposals

	Additions	2008-09 Disposals	Net Movement
	£'000	£'000	£'000
Total assets and disposals (per fixed assets note 5.1 5.2)	0	0	0
Accrued movement in fixed asset additions	0	0	0
Non-cash adjustments	0	0	0
Total cash movement on asset additions and disposals	0	0	0

Notes to the Account

1. Accounting Policies

1.1 The financial statements have been prepared in accordance with the Financial Reporting Manual (FRM) issued by HM Treasury to the extent that the Welsh Assembly Government has directed as being appropriate to LHB'S. The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

These accounts have been prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and in accordance with directions issued by the Welsh Assembly Government and approved by Treasury.

LHB's are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

Acquisitions and Discontinued Operations

Activities are considered to be "acquired" and disclosed as such, only if they are acquired from outside the public sector. Activities are considered to be "discontinued" and disclosed as such, only if they cease entirely or are transferred outside the public sector.

1.2 Income and funding

The main source of funding for the LHB is resource allocations from the Welsh Assembly Government within an approved cash limit, which is credited to the general fund when the associated cash is received. Income disclosed in the Operating Cost Statement reflects only the amounts other than Welsh Assembly Government Funding.

Miscellaneous income is income which relates directly to the operating activities of the LHB. It comprises principally of fees and charges for services provided on a full cost basis to external customers, (or any other material types of income if this disclosure would not be sufficient).

It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

Income is accounted for by applying the accruals convention. Income is recognised in the period in which services are provided.

1.3 Taxation

The LHB is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Intangible fixed assets

Intangible assets which can be valued, are capable of being used in a LHB's activities for more than one year and have a cost equal to or greater than £5,000;

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is carried at historic cost. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.5 Tangible fixed assets

a. Capitalisation

Tangible fixed assets are capitalised if they are capable of being used for a period which exceeds one year and:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost equal to or greater than £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- form part of the initial setting - up cost of a new building, irrespective of their individual or collective cost.
- form part of an IT network which collectively has a cost more than £5,000 and individually have a cost of more than £250

b. Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at costs (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BICS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five - yearly intervals. A five - yearly revaluation was carried out as at 1 April 2007.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non - specialised operational property.

In respect of non - operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses where there is a credit balance for that impaired asset in the revaluation reserve, otherwise ordinarily they will be charged to the Operating Cost Statement. Falls in value when newly constructed assets are charged to the revaluation reserve even when there is no credit balance.

Equipment

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at Depreciated Replacement Cost.

Assets in the course of construction

Assets in the course of construction are valued at current cost as for land and buildings. These assets include any existing land or buildings under the control of a contractor.

c. Depreciation, amortisation and impairments

Depreciation is charged on a straight - line basis on each main class of fixed asset as follows:

Freehold land and land and buildings surplus to requirements are not depreciated. Assets in the course of construction and residual interests in off - balance sheet Private Finance Initiative contract assets are not depreciated until the asset is brought into use or reverts to the LHB, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer.

Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives

1.6 Donated assets

Donated tangible fixed assets are capitalised at their valuation on receipt and are valued and depreciated as described above for purchased assets.

The value of donated tangible fixed assets and the donated element of part - donated assets are reflected in a donated asset reserve. This reserve is credited with the value of the original donation and any subsequent revaluation and indexation; an amount equal to the depreciation charge is released from this reserve each year to the Operating Cost Statement.

1.7 Research and development

Research and development expenditure is charged to the Operating Cost Statement in the year in which it is incurred, except insofar as it is separately identifiable development expenditure relating to a clearly defined project and benefits therefrom can reasonably be regarded as assured.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

1.8 Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers. General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme; the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay.

On advice from the Scheme Actuary, scheme contributions may be varied from time to time to reflect changes in the schemes liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting Valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the LHB commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from the Stationary Office.

The conclusion from the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the members pension is normally payable to the surviving spouse.

Early payments of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice the final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump for those who die after retirement is, payable.

The scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVC's) provided by an approved panel of life companies. Under the arrangement the LHB can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension liabilities arising from early retirements are not funded by the scheme, except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the LHB commits itself to the retirement, regardless of the method of payment.

1.9 Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Resulting exchange gains and losses are taken to the Operating Cost Statement.

1.10 Cost of Capital

The cost of capital applies to all the assets and liabilities of the LHB, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2008-09 financial year was **3.5%**.

1.11 Provisions

The LHB provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. Provisions are only recognised where the amount of economic benefit is probable, and the amount of the transfer can reasonably be estimated.

1.12 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The LHB does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.13 Leases

Where substantially all the risks and rewards of ownership of a leased asset are borne by the LHB, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the OCS over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the OCS on a straight line basis.

1.14 Contingent liabilities

- a possible obligation arising from past events whose existence will be confirmed by the occurrence of future events not wholly within the LHB's control;

- a present obligation arising from past events for which it is not probable that a transfer of economic benefits will be required to settle the obligation; or

- a present obligation where the amount of the obligation cannot be measured with sufficient accuracy.

Contingent liabilities are not disclosed where the probability of them becoming liabilities is considered to be remote.

Contingent assets are disclosed where a possible asset exists as a result of past events whose existence will be confirmed only by the occurrence of one or more uncertain future events met wholly within the LHB's control. Contingent assets are disclosed only where the future outflow of economic benefit is considered to be probable.

1.15 Deferred Income

Deferred income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent. Only third party income between non-government bodies may be recognised.

1.16 Expenditure

Interest payable arises from the unwinding of discount on provisions, as the value is restated to reflect the present value of the provision at the closing balance sheet date. Interest payable also arises on bank overdrafts and finance leases and is recognised on the accruals basis. Interest payable is not shown separately on the face of the Operating Cost Statement, but is included within expenditure.

Certain expenditure relating to reimbursement of General Practitioners for the provision of Family Health Services is defined by the National Assembly as "non-discretionary" and is deducted from net operating costs for the purposes of assessing outturn against revenue resource limit in note 2.1.

Programme expenditure is defined as costs relating directly to the provision of healthcare, social care and other services relating to the LHB's functions provided directly to the public. All other expenditure is classified as administration expenditure.

1.17 Financial Instruments

Financial Assets

Financial assets are recognised on the balance sheet when the LHB becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the income statement on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset. At the balance sheet date, the LHB assesses whether any financial assets, other than those held at fair value through profit and loss are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence or impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the LHB becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

2.1 Achievement of Operational Financial Balance

	£000	2007-08 £000
Net operating costs for the financial year	147,629	139,710
Non-discretionary expenditure	853	400
Operating costs less non-discretionary expenditure	146,776	139,310
Revenue Resource Limit	146,779	139,329
Under / (over) spend against Revenue Resource Limit	3	19
Unplanned resource brokerage received	0	0
Operational Financial Balance	3	19

Disclose details of any resource brokerage and / or cash brokerage brought and carried forward.

During 2008/09 the LHB has had both Resource and Cash Brokerage as follows:

	£000		£000
Resource Brokerage:			
In	Monmouthshire LHB	592	Out
			Newport LHB
			-
			295

Cash Brokerage

In	Welsh Assembly	500
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The resource brokerage received from Monmouthshire LHB and given to Newport LHB reflects an agreement made within the Gwent Community to ensure that all organisations achieve their statutory financial duties.

The cash brokerage was received from WAG as part of a redistribution of cash from RCT LHB and will be required to be repaid by the LHB during 2009/10.

3.1 Miscellaneous income

	£000	2007-08 £000
Fees & Charges	0	0
Prescription charge income	657	609
Dental fee income	706	737
Income for trust impairments	0	0
Deferred Income released to revenue	0	0
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Other	1,619	756
Total	2,982	2,102

Other

Other income includes:

	£000	£000
Income for staff hosted by Torfaen LHB		
- Funded Nursing Care / Complex Care (from other Gwent LHBs)	682	445
- Regional Commissioning (from other SE Wales LHBs)	56	100
- GP Medicines and Therapeutic Committee	57	50
Other Welsh Assembly Government funding	708	42
Income from other sources	116	119
Total Other Income	1,619	756

Expenditure:**4.1 Primary health care**

	Cash limited	Non cash limited	Total	2007-08 Total
	£000	£000	£000	£000
General Medical services	12,040	0	12,040	11,653
Pharmaceutical services	4,180	(130)	4,050	2,828
General Dental services	4,127	0	4,127	4,024
General Ophthalmic services	0	983	983	934
Other Primary health care expenditure	451	0	451	425
Prescribed drugs and appliances	15,947	0	15,947	16,622
Total	36,745	853	37,598	36,486

4.2 Secondary and Community health care

	Total	2007-08 Total
	£000	£000
NHS Trusts:		
Provider 1 - Gwent Healthcare NHS Trust	90,655	86,137
Provider 2 - Cardiff & Vale NHS Trust	2,344	2,092
Provider 3 - Velindre NHS Trust	2,007	1,829
Provider 4 - Abertawe Bro-Morgannwg NHS Trust	140	207
Provider 5 - Cwm Taf NHS Trust	97	101
Provider 6 - Royal National Hospital for Rheumatic Diseases NHS Trust	93	39
Provider 7 - Hywel Dda NHS Trust	46	44
Provider 8 - Hereford PCT	42	20
Provider 9 - Royal United Hospital Bath	30	36
Provider 10 - North Bristol NHS Trust	23	5
Other Welsh NHS trusts	6	2
Other non Welsh NHS trusts	48	296
Local Authorities	1,566	2,747
Voluntary Organisations	711	687
NHS Funded Nursing Care	1,380	1,678
Continuing Care	8,963	4,925
Private providers	0	0
Specific projects funded by Welsh Assembly Government	0	0
Other	202	315
Total	108,353	101,160

Expenditure with Local Authorities is as follows:

	2008-09	2007-08
Torfaen County Borough Council		
S28a Learning Difficulties	1,123	2,056
S28a Elderly	237	344
S28a Mental Health	113	155
S28a Children	52	101
Delayed Transfers of Care	0	0
Community Care	41	91
Total	1,566	2,747

4.3 Other programme expenditure

	2007-08
	£000
Salaries and wages	2,078
National Public Health Service	555
Losses, special payments and irrecoverable debts	0
Research and development	0
Other	387
	<hr/>
Total	3,020

2007-08
£000

1,521
542
7
0
314
<hr/>
2,384

4.4 Administration expenditure

	2007-08
	£000
Non-officer members' remuneration	80
Other salaries and wages	838
Consultancy services	0
Establishment expenses	65
Transport and moveable plant	0
Premises and fixed plant	139
External contractors	46
Auditors' remuneration - audit fee	78
Auditors' remuneration - other fees	0
Business Services Centre recharge	582
Interest payable - unwinding of discount	0
Interest payable - other	0
Capital - Depreciation	0
Amortisation	0
Capital charge interest	(218)
Impairments and reversals (property, plant, equipment)	0
Impairments and reversals (intangible assets)	0
Impairments and reversals of financial assets (by class)	0
(Profit) / loss on disposal of fixed assets	0
Other	30
	<hr/>
Total	1,640

2007-08
£000

84
1,059
0
76
0
96
51
73
0
582
0
0
0
0
(255)
0
0
0
0
16
<hr/>
1,782

The Auditors' remuneration - audit fee includes the cost of the Business Service Centre audit totalling £16,267

**4.5 Losses, special payments and irrecoverable debts:
charges to operating expenses**

	Total	2007-08 Total
	£000	£000
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	0	0
Defence legal fees and other administrative costs	0	7
	<hr/>	<hr/>
Gross increase / decrease in provision for future payments	0	7
Contributions to Welsh Risk Pool/insurance premiums	0	0
Irrecoverable debts	0	0
Less: income received/due from Welsh Risk Pool	0	0
	<hr/>	<hr/>
Total	0	7
	<hr/>	<hr/>

Personal injury includes £ nil in respect of permanent injury benefits

4.6 Hire and operating lease rentals

	£000	2007-08 £000
Hire of plant and machinery	0	0
Other operating leases	93	59
Total	93	59

Commitments under non-cancellable operating leases:

	Land and Buildings £000	Other Leases £000	2007-08 Land and Buildings £000	2007-08 Other Leases £000
Operating leases which expire:				
Within 1 year	0	0	0	0
Between 1 and 5 years	93	0	59	0
After 5 years	0	0	0	0

4.7 Executive Directors and staff costs

	Total £000	2007-08 Total £000
Salaries and wages	2,179	2,115
Social security costs	187	146
Employer contributions to NHSPA	313	279
Other pension costs	0	0
Agency / seconded staff	237	40
Total	2,916	2,580

The salaries disclosed in Notes 4.3 and 4.4 are £2,078k and £838k respectively. These total £2,916k which agree to Note 4.7 above.

4.8 Board Directors' remuneration

	£000	2007-08 £000
Non-officer members' remuneration	80	81
Executive Directors' remuneration:		
basic salaries	320	314
benefits	0	0
performance related bonuses	0	5
pension contributions	46	42
Compensation for loss of office	0	0
Pensions to former directors (early retirees)	0	0
Total	446	442

	Medical Director £000	Chairman £000	Chief Executive £000
Basic Salary	101	28	56
Benefits	0	0	0
Compensation for loss of office	0	0	0
Performance related bonuses	0	0	0
Pension contributions	14	0	9
Total	115	28	65

Remuneration waived by directors and allowances paid in lieu:

	Number	£000
Directors' remuneration waived	0	0
Allowances paid in lieu of remuneration	0	0

The basis on which performance related bonuses are calculated is as follows:

[Not applicable](#)

On 1st June 2008 the Chief Executive took a dual role as Chief Executive of the Vale of Glamorgan LHB as well as Torfaen LHB. As a result, 50% of the Chief Executive's total salary costs have been recharged to Vale of Glamorgan LHB.

On 1st June 2008 the Director of Finance and Performance was appointed as the LHB's Deputy Chief Executive and since this date effectively became the Acting Chief Executive on a part time basis.

4.9 Average number of employees

The average number of employees during the year was:

	Permanent staff	Agency, temporary and contract staff	Staff on inward secondment	Total	2007-08
	Number	Number	Number	Number	Number
Executive Board Members	4	0	0	4	4
Other Local Health Board Staff	67	2	0	69	61
Recharged staff	0	0	1	1	1
Total	71	2	1	74	66

The average number of employees is calculated as the total number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year.

Expenditure on staff benefits

	£	£
Nature of expenditure:		
a.	0	0
b.	0	0
c.	0	0
d.	0	0
Total	0	0

4.10 Retirements due to ill-health

During 2008-09 there were no early retirements from the LHB agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £ nil.

4.11 Public Sector Payment Policy - Measure of Compliance

The Welsh Assembly Government requires LHB's to pay non-NHS trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The target is to pay all trade creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.

	Number	£000	2007-08 £000
Non- NHS			
Total bills paid 2008-2009	3,699	14,526	10,470
Total bills paid within target	3,647	14,484	10,443
Percentage of bills paid within target	98.6%	99.7%	99.7%

In addition, the Welsh Assembly Government requires LHB's to pay other NHS bodies in accordance with Government Accounting rules. The target is to pay all other NHS bodies within 30 days of receipt of goods or a valid invoice by the authority (whichever is the later) unless other payment terms have been agreed with the NHS body.

	Number	£000	2007-08 £000
NHS			
Total bills paid 2008-2009	783	104,913	99,030
Total bills paid within target	768	104,632	98,568
Percentage of bills paid within target	98.1%	99.7%	99.5%

	Number	£000	2007-08 £000
Total			
Total bills paid 2008-2009	4,482	119,439	109,500
Total bills paid within target	4,415	119,116	109,011
Percentage of bills paid within target	98.5%	99.7%	99.6%

4.12 The Late Payment of Commercial Debts (Interest) Act 1998

	£	2007-08 £
Amounts included within Interest Payable arising from claims made by small businesses under this legislation (see note 4.4).	0	0
Compensation payable to cover debt recovery costs	0	0

5.1 Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Gross replacement cost at 31 March 2009	0	0	0	0	0
Accumulated amortisation at 1 April 2008	0	0	0	0	0
Provided during the year	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2009	0	0	0	0	0
Net book value at 1 April 2008	0	0	0	0	0
Net book value at 31 March 2009	0	0	0	0	0

Tangible Fixed Assets (continued)

The net book value of land and buildings at 31 March 2009 comprises:

	£000	2007-08 £000
Freehold	0	0
Long leasehold	0	0
Short leasehold	0	0
	<hr/>	<hr/>
Total	0	0
	<hr/>	<hr/>

Net profit/(loss) on disposal of fixed assets

	£000	2007-08 £000
During the year the LHB disposed of fixed assets with the net book value of,	0	0
The gross proceeds from the sale(s) were	0	0
giving a net profit/(loss) on disposal of	<hr/> 0	<hr/> 0
The LHB paid over to the Welsh Assembly Government the net proceeds from disposal of and retained the costs of disposal, met of,	0	0
	0	0

6.1 Debtors

	£000	2007-08 £000
Amounts falling due within one year:		
Welsh Assembly Government	134	16
Health Commission Wales	0	0
Local Health Boards	1,411	309
Primary Care Trusts	9	0
NHS Trusts	1,619	1,548
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	182	122
Provision for irrecoverable debts	0	0
Pension Prepayments:	0	0
Other prepayments and accrued income	250	183
	<hr/>	<hr/>
Sub total	3,605	2,178
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Welsh Assembly Government	0	0
Health Commission Wales	0	0
Local Health Boards	0	0
Primary Care Trusts	0	0
NHS Trusts	0	0
Welsh Risk Pool	0	0
Capital debtors	0	0
Other debtors	0	0
Provision for irrecoverable debts	0	0
Pension Prepayments	0	0
Other prepayments and accrued income	0	0
	<hr/>	<hr/>
Sub total	0	0
	<hr/>	<hr/>
Total	3,605	2,178
	<hr/>	<hr/>
Provision for irrecoverable debts (impairment of receivables):		
Balances at 1 April	0	0
Provided in year	0	0
Written-off in year	0	0
Recovered during year	0	0
Balance at 31 March	<hr/> 0	<hr/> 0
	<hr/>	<hr/>
Debtors past due date but not impaired:		
Up to 3 months	3585	2148
3 to 6 months	0	26
More than 6 months	20	4
Total	<hr/> 3605	<hr/> 2178
	<hr/>	<hr/>

6.2 Creditors

	£000	2007-08 £000
Amounts falling due within one year:		
Welsh Assembly Government	20	0
Health Commission Wales	86	0
Local Health Boards	405	295
NHS Trusts	1,832	3,299
Primary Care Trusts	20	20
Income tax and social security	0	0
VAT	0	0
Non-NHS creditors	514	488
Capital Creditors	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases and HP contracts	0	0
GPFH savings	0	0
Pensions: staff	0	0
Accruals	6,448	6,807
Deferred Income	0	0
Other creditors	0	0
	<hr/>	<hr/>
Total	9,325	10,909

6.3 Creditors

	Total	2007-08 Total
Amounts falling due after more than one year:	£000	£000
Obligations under finance leases and HP contracts	0	0
NHS creditors	0	0
Assembly loans	0	0
Pensions: staff	0	0
Other	0	0
	<hr/>	<hr/>
Total	0	0

6.4 Provisions for liabilities and charges

	At 1 April 2008	Structured settlement cases trans- ferred to WRP	Transfer of prov- isions to creditors	Arising during the year	Reversed unused	Utilised during the year	Unwind- ing of discount	At 31 March 2009
	£000	£000	£000	£000	£000	£000	£000	£000
Clinical negligence	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0
Defence legal fees and other administration costs.	0	0	0	0	0	0	0	0
Sub-total	0	0	0	0	0	0	0	0
Pensions	0	0	0	0	0	0	0	0
Other	455	0	0	168	(277)	(91)	0	255
Total	455	0	0	168	(277)	(91)	0	255

Expected timing of cash flows:

	Within 1 year £000	Between 2 and 5 years £000	After 5 years £000	Total £000
Clinical negligence	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration costs	0	0	0	0
Pensions	0	0	0	0
Other	255	0	0	255
Total	255	0	0	255

The LHB estimates that in 2009-10 it will receive £ nil, and in 2010-11 and beyond £ nil from the Welsh Risk Pool in respect of losses and special payments.

6.5 General fund

The movement on the General fund in the year comprised:

	£000
At 1 April 2008	(8,557)
Net operating cost for the financial year	(147,629)
Net Assembly funding (including capital)	150,483
Capital charge interest	(218)
Transfers to NHS bodies	0
Transfer to general fund of realised elements of the revaluation reserve	0
	<hr/>
Balance at 31 March 2009	(5,921)

6.6 Donated asset reserve

The movement on the donated asset reserve in the year comprised:

	£000
Balance at 1 April 2008	0
Additions	0
Impairments	0
Revaluation and indexation	0
Disposals and write-offs	0
Depreciation	0
	<hr/>
Balance at 31 March 2009	0

6.7 Revaluation reserve

The movement on the revaluation reserve in the year comprised:

	£000
Balance at 1 April 2008	0
Revaluation	0
Indexation	0
Transfer to general fund - realised revaluation	0
	<hr/>
Balance at 31 March 2009	0

6.8 Contingent liabilities -

The following contingent losses/gains have not been included in the accounts

Nature:	2007-08	
	£000	£000
Legal claims for third parties liabilities	0	0
Doubtful debts	0	0
Other	811	463
Total	811	463

Uncertainties affecting outcome:

In March 2005 the Welsh Assembly Government published adverts in national and local papers inviting cases to be submitted for review by the NHS Ombudsman to determine whether they fall to be treated as continuing care cases and consequently to be funded by the LHB. Although further cases have been submitted to the Welsh Assembly Government and there may be further cases yet to be submitted to the Ombudsman, the LHB has no knowledge of the validity, value or extent of the claims at this time and no provision has been made for these additional claims.

In January 2006 the High Court concluded that if, following a health care assessment, a person's healthcare needs formed the primary reason for their residence in a nursing home, the NHS should fund the totality of their care. (Grogan v Bexley NHS PCT). The judgement will also apply to retrospective reviews where requested.

No provision has been made in these accounts in respect of cases arising specifically from the Grogan judgement.

The LHB has limited knowledge of the value or extent of potential cases. This means that, at this stage, it is not possible for a reliable estimate to be made of the financial impact of the judgement.

6.9 Intra Government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	134	0	106	0
Balances with local authorities	103	0	85	0
Balances with NHS trusts and Foundation trusts	1,628	0	1,852	0
Balances with Local Health Boards	1,411	0	405	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	329	0	6,877	0
Total at 31 March 2009	3,605	0	9,325	0
Balances with other central government bodies	16	0	0	0
Balances with local authorities	56	0	870	0
Balances with NHS trusts and Foundation trusts	1,548	0	3,319	0
Balances with Local Health Boards	309	0	295	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	249	0	6,425	0
Total at 31 March 2008	2,178	0	10,909	0

6.10 Post balance sheet events

Post balance sheet events having a material effect on the accounts are:

1.	
	0
2.	
	0
Total		<u>0</u>

6.11 Capital commitments

The Local Health Board has the following capital commitments:

	2007-08	
Contracted	0	0
Authorised but not contracted	0	0
Total	<u>0</u>	<u>0</u>

6.12 Related Party transactions**£000**

Total value of transactions with Board members and key senior staff in 2008-2009

0

Torfaen Local Health Board is a body corporate established by order of the National Assembly.

The Assembly is regarded as a related party. During the year Torfaen Local Health Board has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is regarded as the parent body namely,

Blaenau Gwent - £139,669

Caerphilly - £432,393

Monmouthshire - £89,165

Newport - £15,200

Powys - £956,744

In addition, Torfaen Local Health Board has a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Torfaen Local Authority (total £4,908,845) in respect of joint enterprises.

During the year none of the board members or members of the key management staff or other related parties has undertaken any material transactions with Torfaen LHB. A number of the LHB's Board members and Senior Managers have interests in related parties as follows:

Name	Details	Interests
Dr Doug Dare	Chairman of LHB Board	Partner in Abersychan Surgery GP Practice Expenditure with GP Practice in 08/09 = £1,208,997 & yearend creditor = £77,206
Mr John Skinner	Chief Executive	Employed in dual role with Vale of Glamorgan LHB Expenditure with Vale LHB in 08/09 = £12,225 yearend debtor = £21,571
Dr Roy Lurvey	Non Officer Member	Chairman St Davids Foundation Hospice Care Expenditure with St Davids in 08/09 = £166,749
Mrs Sandra Shaw	Non Officer Member	Torfaen Crossroads Caring for Carers Expenditure with Torfaen Crossroads in 08/09 = £30,011 & yearend creditor = £54,989
Mr Allan Gilbert	Non Officer Member	Shareholder in AJ Gilbert (Chemist) Ltd Expenditure with Pharmacy in 08/09 = £204,641 yearend creditor = £24,549

6.12 Related Party transactions

Dr Peter Lewis	Non Officer Member	Gwent Healthcare NHS Trust Clinician Expenditure with Trust in 08/09 = £94,015,797 & yearend creditor = £1,352,593 yearend debtor = £1,571,505
Dr Andrew Lohfink	Non Officer Member	Partner in Greenmeadow Surgery GP Practice Expenditure with GP Practice in 08/09 = £545,580 & yearend creditor = £38,010
Dr Sion James	Non Officer Member	Partner in The Mount Surgery GP Practice. Employed (on a sessional basis) by Gwent Out of Hours Service Expenditure with GP Practice in 08/09 = £996,718 & yearend creditor = £85,865 For details of transactions with the Trust, see above
Dr Lucy Allen	Non Officer Member	Partner in Cwmbran Village Surgery GP Practice Expenditure with GP Practice in 08/09 = £955,915 & yearend creditor = £63,969
Alex Howells	Non Officer Member	Gwent Healthcare NHS Trust Head of Planning For details of transactions with the Trust, see above
Mr David Congreve	Non Officer Member	Employed by Torfaen CBC Expenditure with Council in 08/09 = £4,908,845 & yearend creditor = £84,760
Cllr Brian Mawby	Non Officer Member	Elected Member of Torfaen CBC Lay reviewer for HIW (casually employed) For details of transactions with the Council, see above
Cllr Raymond Mills	Non Officer Member	Elected Member of Torfaen CBC For details of transactions with the Council, see above
Mr Peter Walker	Non Officer Member	Sole principal of Ponthir Dental Practice & Whitchurch Road Dental Surgery and principal of Dental Practice in St Mellons. Owner of Medical Practice at Stokes Ct Ponthir Expenditure with Ponthir Practice in 08/09 = £642,137
Mrs Sue Evans	Director of Integrated Services	Joint post with Torfaen County Council For details of transactions with the Council, see above
Mr Paul Richards	Head of Primary Care	Wife works as Director of Finance of Powys LHB Expenditure with Trust in 08/09 = £956,744 & yearend creditor = £13,224 yearend debtor = £49,462

The National Assembly Government has not notified us of any related parties relating to Assembly Ministers in 2008/09.

6.13 Losses and special payments

Losses and special payments are transactions that the Welsh Assembly Government would not have contemplated when it allocated and distributed funding for the National Health Service. By their nature they items that should not arise. They are therefore subject to special control procedures compared with the generality of payments and special notation in the accounts to draw them to the attention of the Welsh Assembly Government. They are divided into different categories, which govern the way each individual case is handled. These payments are charged to the Operating Cost Statement in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore, this note is compiled on a cash basis.

	Number of cases	Value of cases £
Personal injury	0	0
Fraud cases	0	0
All other losses and special payments	0	0
Total losses and special payments	0	0

Analysis of cases which exceed £250,000 and all other cases

	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
Cases exceeding £250,000			
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
.....	0	0	0
Sub-total	0	0	0
All other cases	0	0	0
Total cases	0	0	0

6.14 Financial Instruments

Financial Risk Management

FRS 29 "Financial Instruments: Disclosures" requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way that LHBs in Wales are financed, they are not exposed to the degree of financial risk faced by business entities.

Also, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which this standard mainly applies. LHBs have no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the LHB in undertaking its activities.

Liquidity Risk

The LHBs income allocations and capital expenditure are financed from resources voted annually by Parliament. Therefore they are not exposed to significant liquidity risks.

Interest Rate Risk

All of the LHB's financial assets and financial liabilities carry nil or fixed rates of interest. Therefore, they are not exposed to significant interest rate risk.

Foreign Currency Risk

The LHB has negligible foreign currency income or expenditure. Therefore, it is not exposed to significant foreign currency risk.

6.15 Finance lease obligations

The future minimum lease payments under finance leases to which the Local Health Board was committed at the balance sheet date were as follows:

	£000	2007-08 £000
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
in more than 2 year but no longer than 5	0	0
After 5 years	0	0
	<hr/>	<hr/>
Subtotal	0	0
	<hr/>	<hr/>
Less finance charges allocated to future periods	0	0
	<hr/>	<hr/>
Total	0	0

The total net obligation under finance leases can be analysed as follows:

Creditors: amounts due within one year	0	0
Creditors: amounts due after more than one year	0	0

6.16 Pooled Budgets

A Section 33 Partnership Agreement exists between the five Local Authorities and the five Local Health Boards for the provision of an efficient and effective integrated GWICES (Gwent Wide Integrated Community Equipment Service) to service users who are resident in the partner localities. This agreement came into effect from 1st October 2008.

The income and expenditure for the pooled budget arrangements for the financial year ending 31st March 2009 are as follows:

	%	2008- 09 £000	2008- 09 £000
Funding			
Blaenau Gwent County Borough Council		141	
Caerphilly County Borough Council		278	
Monmouthshire County Borough Council		144	
Newport City Council		235	
Torfaen County Borough Council		129	
	69%		<u>927</u>
Blaenau Gwent LHB		38	
Caerphilly LHB		58	
Monmouthshire LHB		60	
Newport LHB		35	
Torfaen LHB		41	
	17%		<u>232</u>
Contribution to Lead Commissioner - LAs		30	
Contribution to Lead Commissioner - LHBs		23	
	4%		<u>53</u>
Contribution to Revenue - LAs		87	
Contribution to Revenue - LHBs		40	
	9%		<u>127</u>
TOTAL FUNDING	<u>100%</u>	<u>1,339</u>	
Expenditure			
Staff		116	
Non Staff		986	
Repayments to LHBs		232	
TOTAL EXPENDITURE		<u>1,334</u>	
Net Under/(Over) spend			<u><u>5</u></u>

6.17 Financial Assets

	At fair value through Profit & Loss	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	54	0	0	54
Other financial assets	0	0	0	0
At 31 March 2009	<u>54</u>	<u>0</u>	<u>0</u>	<u>54</u>
Embedded derivatives	0	0	0	0
NHS receivables	0	0	0	0
Cash at bank and in hand	629	0	0	629
Other financial assets	0	0	0	0
At 31 March 2008 (Prior year)	<u>629</u>	<u>0</u>	<u>0</u>	<u>629</u>

6.18 Financial liabilities

	At fair value through Profit & Loss	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
At 31 March 2009	<u>0</u>	<u>0</u>	<u>0</u>
Embedded derivatives	0	0	0
Borrowings	0	0	0
PFI and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
At 31 March 2008 (Prior year)	<u>0</u>	<u>0</u>	<u>0</u>

[If fair value of financial assets or financial liabilities differs from carrying amount:

- a) give the fair values by class of financial assets and financial liability (classes chosen according to type of information/characteristics of the financial instruments) in a way that allows comparison with carrying amount
- b) state how the fair values have been obtained
- c) state the assumptions used in applying any valuation technique]

7 Additional Information

7.1 2009/10 Financial Position

The Annual Operating Framework for 2009/10 is being progressed on a Gwent wide basis and the financial position has been consolidated ahead of the mid year reconfiguration. The current financial projection is a net financial shortfall of circa £16m, with significant financial pressure arising from the National Finance Agreement, delivery of the Access 2009 targets and Continuing NHS Healthcare.

A Sustainability and Improvement Programme has been developed to address the service and financial challenges, and plans have been identified to enable a breakeven position to be achieved.

7.2 Reorganisation

In 2008, the Health and Social Services Minister in the Welsh Assembly Government gave approval for the merger of NHS Trusts and LHBs to create 7 new LHBs at 1st October 2009.

Torfaen LHB will cease from 30 September 2009 and on 1st October will merge with Gwent Healthcare NHS Trust and the other four Gwent LHBs to form Aneurin Bevan LHB. Torfaen LHB will continue in its present form until that date. Transition arrangements have been established with workstreams considering the issues that need to be progressed and the LHB will be completing a legacy statement.

These financial statements are the final full financial statements. 6 month financial statements from 1st April 2009 to 30th September 2009 will be produced. All of the assets and liabilities of Torfaen LHB will transfer to the new Aneurin Bevan LHB at that date and all operations are continuing.

**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES
AS ACCOUNTABLE OFFICER OF THE LOCAL HEALTH BOARD**

The Welsh Ministers have directed that the Chief Executive should be the Accountable Officer to the LHB. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officer's Memorandum issued by the Assembly.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Date.....2009 Chief Executive

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT
OF THE ACCOUNTS**

The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh Ministers, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the LHB and of the income and expenditure of the LHB for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting principles laid down by the Welsh Ministers with the approval of the Treasury
- make judgements and estimates which are responsible and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the account.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the authority and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction by the Welsh Ministers.

By Order of the Board

Signed:

Chairman: Dated:2009

Chief Executive: Dated:2009

Director of Finance: Dated:2009

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive for this Board, I have the responsibility for maintaining a sound system of internal control that supports achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and this organisation's assets for which I am personally responsible, in accordance with the responsibilities assigned by the Accounting Officer of NHS Wales.

Mechanisms have been developed to enable the identification, assessment, management and reporting of risk in line with guidance issued by the Welsh Assembly Government.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the organisation for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Welsh Assembly Government guidance.

3. Capacity to handle risk

The Local Health Board (LHB) is corporately responsible for pursuing the aims and objectives of risk management. The responsibility for managing risk is part of the role of all staff. However, specific responsibility is assigned as follows:

- Clinical Governance: Medical Director
- Financial Governance: Director of Finance & Performance

The LHB has also established a Clinical Governance Committee which reports to the Board, to identify clinical risks and manage the risk assessment process.

Directors are expected to be continually aware of risk management issues and training sessions for LHB staff specific to Risk Management have been completed and forms part of an ongoing development programme.

Staff are aware of the Risk Management Strategy and are familiar with LHB policies and procedures.

On 1st June 2008 the Chief Executive took a dual role as Chief Executive of The Vale of Glamorgan LHB as well as Torfaen LHB. On 1st June 2008 the Director of Finance and Performance was appointed as the LHB's Deputy Chief Executive and since this date effectively became the Acting Chief Executive on a part time basis.

4. The risk and control framework

The LHB has formally adopted and reviews the Risk Management Strategy annually. It has also developed a 'Corporate Risk Register' as a basis for controlling and monitoring the risk management activities of the organisation. This is formally updated and presented to the Management Team on an annual basis.

The Risk Management Strategy is embedded into the LHB through the management structure and risks are identified by individuals and also directorates, formally reported through the Risk Working Group. The risks are assessed, management controls established to minimise the risk exposure, monitored and reported.

The management of risk is assessed for 2008/09 through the 2008-09 self assessment of performance against the Healthcare Standards for Wales. The assessment is across four domains these being Patient Experience, Clinical Outcome, Healthcare Governance and Public Health. The self assessment is made against criteria in the form of a maturity matrix that determines the stage at which the organisation has progressed against each standard. The progressions are 1 – Aware, 2 – Responding, 3 – Developing, 4 – Practicing, 5 – Leading.

The self assessment has been completed and the outcome is that progress has been made on all standards with some significantly on a number that has shown improvement against the maturity matrix. The process involved the Risk Working Group Members representing their Directorates in the completion of the standards. The process commenced in February 2009 and included joint and individual meetings amongst LHB staff with progress reported to the Staff Forum, Management Team, Executive Directors and Board Members. The Clinical Governance Committee was tasked with providing the scrutiny role on behalf of the Board.

The core standards have been reviewed by Internal Audit to provide an objective opinion. These Standards relate to Healthcare Governance and the findings are summarised below:

- Healthcare standard 14 Practicing
- Healthcare standard 16 Practicing
- Healthcare standard 27 Practicing
- Healthcare standard 28 Practicing

The LHB is committed to delivering continual improvement against the standards and an improvement plan has been developed which is embedded in the organisation and progressed monitored through reporting to Board.

5. Probity of Dental Expenditure

A new Dental Contract was implemented from 1 April 2006, with payments being made on LHBs' behalf by the Business Services Authority - Dental Practice Division (DPD) in England. In addition to the checks required to obtain assurance on the adequacy of the payment systems - undertaken by both the DPD's and LHB's internal auditors - there should also be checks to ensure the probity of dental expenditure. In 2008/09 the following work was undertaken on the probity of dental expenditure:

a) During 2008/09 the DPD has monitored 4 Torfaen dental contracts (including 6 dentists) and issued 1,989 questionnaires to Torfaen patients for the period April 2008 to March 09. The DPD has also confirmed 4,582 benefit eligibility checks during the financial year.

b) The LHB has carried out analytical review of both dental expenditure and activity during 2008/09. A mid year review process was undertaken, based on Month 06 information, and letters were sent to all dental practitioners advising what action they needed to undertake. Visits were made to practices that were significantly underperforming, and action plans were required detailing what remedial action they would undertake to achieve their contracted level of activity.

c) The LHB commissioned an internal audit review to assess the adequacy and effectiveness of the LHB's risk management activities in relation to the Dental Contract. The review confirmed that the controls in place are both adequate and effective.

6. Continuing NHS Healthcare

An internal audit of Continuing NHS Healthcare was undertaken in Autumn 2008 which provided limited assurance and identified a number of issues that the LHB was advised to address. These issues were addressed by the LHB's Complex Care Team and in March 2009 internal audit undertook a further review, which confirmed that sufficient progress had been made to provide assurance. Further, in May 2009, both internal audit and the Wales Audit Office undertook additional testing in order to obtain sufficient audit assurance in respect of the LHB's 2008-09 financial statements. During 2008-09, the LHB made significant improvements to its administration and control of Continuing Healthcare costs, which in 2009-10 it is continuing to strengthen.

7. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. This work is implemented by the Risk Management Working Group

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

A robust internal control framework has been in place during the year, which includes scrutiny for the Board by the Audit Committee, Remuneration Committee and Clinical Governance Committee.

There is a budgetary control system in place, which safeguards the acquisition, use, disposal and security of goods and services. There are controls in place concerning the security of financial systems and data. These systems produce reliable financial information that informs budget holders and the financial reporting to the Board.

The LHBs financial systems have been subject to review by Internal Audit. The Audit Committee reviews all internal audit reports and monitors the implementation of agreed control improvements.

Internal Audit has confirmed that, based on the work undertaken during the year, the Risk Management, Control and Governance Processes within the areas covered by their reviews are adequate and effective and sufficient to enable the Board and the Accountable Officer to rely on the internal control system.

Internal Controls have been assessed and reviewed during the financial year and I can

Signed:.....

Date:.....

Chief Executive
(on behalf of board)

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Torfaen Local Health Board for the year ended 31 March 2009 under Section 61 of the Public Audit (Wales) Act 2004. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is required to be audited.

Respective responsibilities of Directors, the Chief Executive and the Auditor

The Directors and the Chief Executive are responsible for preparing the annual report, the remuneration report and the financial statements in accordance with paragraph 3 of schedule 9 to the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion to you as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with paragraph 3 of schedule 9 of the National Health Service (Wales) Act 2006 and Welsh Ministers' directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I report to you if in my opinion, Torfaen Local Health Board has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury or Welsh Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Torfaen Local Health Board's compliance with HM Treasury's and Welsh Ministers' guidance and report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of Torfaen Local Health Board's corporate governance procedures or its risk and control procedures.

I have been unable to read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements as it was not available at the time of my audit.

Basis of audit opinions

I conducted my audit in accordance with the Public Audit Wales Act 2004 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and that part of remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Torfaen Local Health Board's circumstances, and are consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and that part of remuneration report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers of the state of affairs of Torfaen Local Health Board as at 31 March 2009 and of its net operating costs, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and that part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by Welsh Ministers.

Opinion on Regularity

In my opinion in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

My conclusion on Torfaen Local Health Board's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Annual Audit Letter.

Jeremy Colman
Auditor General for Wales
19 June 2009

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

ACCOUNT OF - 2008-2009

THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY WELSH MINISTERS IN ACCORDANCE WITH SCHEDULE 9 SECTION 178 PARA 3(1) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE APPROVAL OF TREASURY

LOCAL HEALTH BOARDS

1. Welsh Ministers direct that an account shall be prepared for the financial year ended 31 March 2009 and subsequent financial years in respect of the Local Health Boards (LHB). The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the LHB shall comply with:

- (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
- (b) the accounting and disclosure requirements of the Companies Act;
- (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
- (d) accounting guidance approved by the FRAB and contained in the Financial Reporting Manual (FReM), as detailed in the LHB Manual for Accounts, but specifically excluding schedules 1 and 5;
- (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

3. The account of the LHB for the year ended 31 March 2009 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2009 and subsequent years, the account of the LHB shall give a true and fair view of the state of affairs as at the end of the financial year and the operating costs, recognised gains and losses and cashflows during the year.

5. The balance sheet shall be signed by the chief executive and the director of finance of the LHB and dated.

